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August 14, 2009

Florene Davidson
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

HAND DELIVERED

**Re: NMOCD Case No. 14331: First Amended Application of XTO Energy Inc. for
Compulsory Pooling and Downhole Commingling, San Juan County, New
Mexico**

Dear Ms. Davidson:

Enclosed for filing on behalf of SG Methane Company is an original and two
copies of its Supplemental Pre-Hearing Statement.

Thank you.

Very truly yours,

Karen Williams
Assistant to J. Scott Hall

:kw

Enclosures

cc: W. Thomas Kellahin, Esq.
Richard T. C. Tully, Esq.

00119444

REPLY TO:

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**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF HEARING:**

CASE NO. 14331

**APPLICATION OF XTO ENERGY, INC. FOR
COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO**

**SUPPLEMENTAL
PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by S.G. Methane, Inc. as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

XTO Energy, Inc.
810 Houston Street
Houston, TX 76102
Attn: Bradley Jameson
(817) 885-3156

APPLICANT'S ATTORNEY

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
706 Gonzales Road
Santa Fe, NM 87501
(505) 982-4285

OPPONENT

S.G. Methane, Inc.

OPPONENT'S ATTORNEY

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(505) 986-2646

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STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order pooling all mineral interests in the Pictured Cliffs/Charca formations underlying the NE/4 of Section 24, T29N, R10W, NMPM, San Juan County, New Mexico, forming a standard 160-acre gas spacing and proration unit for any production from the Pictured Cliffs/Charca formations, including but not limited to the Aztec-Pictured Cliffs Gas Pool. This unit is to be dedicated to its Martinez Gas Com D Well No. 001R (API# 30-045-34063) to be drilled at a standard location in Unit B of this section. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this well.

OPPONENT

SG Methane, Inc. owns certain working interests in the Pictured Cliffs formation, but none in the Chacra formation. SG Methane will challenge: (1) the proposed allocation of well costs among the different ownership by depth; (2) proposed method of commingling and proper allocation of production; (3) the pooling of its interest; and (4) the risk penalty sought by Applicant for a pre-drilled well.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

OPPONENT

EST. TIME

EXHIBITS

WITNESSES

Robbie Guinn, Landman	20 minutes
Drilling Engineer, t/b/d	25 minutes

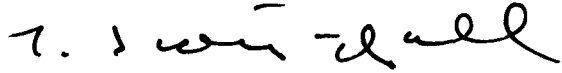
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PROCEDURAL MATTERS

MONTGOMERY & ANDREWS, P.A.

By:



J. Scott Hall, Esq.

Post Office Box 2307

Santa Fe, New Mexico 87504

(505) 982-3873

Attorneys for SG Methane, Inc.

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was delivered to counsel of record on the 13th day of August, 2009, via electronic mail.

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J. Scott Hall